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Dear Mr. President

AN OPEN LETTER FROM SILICON VALLEY FOR YOUR VISIT THIS MORNING

Mercury News Editorial

You might notice the traffic is a little lighter today than the last time you were here. That's because we've run into a tough patch here in the Silicon Valley.

But before we get into that, we want to offer congratulations on the war in Iraq. We hope you'll leverage that victory -- by applying the same focus to the economy and to the Israeli-Palestinian dispute.

Anyway, back to us. We've lost 200,000 jobs in two years; too many of our friends and relatives are out of work and nearly out of hope. The official unemployment rate is 8.4 percent. Our sources tell us it's really more like 10 percent. That's a crisis.

The economic downturn has hit us harder than just about any other region. Our engineers and entrepreneurs continue to create the kind of innovative products that have driven the economy for the past decade. Venture capitalists poured \$1.27 billion into fledgling companies last quarter. We're washing the bubble's excesses out of our system. Our willingness to take risks -- tempered by lessons learned from the bubble, like the need to make profits -- continues to be a signature of Silicon Valley.

While the national economy may be recovering, we're still in the depths of the deepest recession any of us can remember. And there isn't much hope for improvement until the national economy shifts into higher gear.

California has the largest deficit of any state in the nation. It seems inevitable we're going to get hit with higher taxes -- and far fewer services.

In short, we're in a world of hurt, and we could use some help.

First, let us tell you what we don't want: a tax cut. While many in the Valley would benefit because of our generally high tax brackets, we think the money can be put to better use, like covering war costs and revenue shortfalls caused by the recession.

VALLEY ECONOMY NEEDS A JUMP-START

We have many needs: help covering costs for schools, homeland defense and health care -- and we'll turn to those in a bit. What we need most now is a jump-start for the Valley's economy.

We are facing serious challenges to our long-term prosperity from competitors in India and China, where engineers and Ph.D.s are being minted by the thousands. We need to get back on our feet quickly, or America could lose its leadership in technology.

Tech companies are sitting on as much as \$135 billion in offshore cash, from overseas profits. A 35 percent repatriation tax is keeping it there. Several bills propose a one-year reduction of that tax rate to 5.25 percent. It won't cost the Treasury a penny. More important, the cash that will be brought back under the

lower tax rate will deliver an immediate stimulus to the Valley. Your support would quickly make the proposals a reality.

Other stimulus proposals we favor are extending unemployment benefits, increasing investment tax credits and accelerating depreciation.

Here's a direct way you could help the Valley: upgrade the federal government's IT infrastructure. We know you have some computer systems that can't load browsers or talk to one another. Our telecom and computer companies can fix that. (Please don't just buy everything from Michael Dell in Texas.)

While you're visiting United Defense in Santa Clara today, we want to acknowledge how helpful your administration has been at coaching Valley companies that want to contribute to homeland security. We want more of those relationships.

Terrorism is a serious threat. Yet some in Congress think they can make us safer by putting stricter controls on technology exports, shifting export licenses for some products from the Commerce Department to the Defense Department. That won't reduce terrorism, and it can't be good for the Valley. Neither can overregulating corporate America as Washington fumbles its way toward restoring investor confidence.

THE STATES ARE DESPERATE; THEY NEED YOUR HELP

Instead of cutting taxes, return money to the states. We know California isn't suffering alone. From coast to coast, state budgets are in the red. They're cutting programs and raising taxes. In the meantime, the federal government is cutting taxes, raising spending and creating a deeper deficit.

The health of the states is not just a matter of balancing the books. It is reflected in the quality of schools and the adequacy of transportation, both of which are essential to the nation's long-term prosperity.

WE CAN'T DO HOMELAND SECURITY BY OURSELVES

Homeland security must be a shared federal and local responsibility. Since Sept. 11, San Jose has spent more than \$23 million to protect against terrorist attacks, including \$18 million in airport security. Yet since Sept. 11, your administration and Congress have provided no money to reimburse San Jose and local communities for their expenses. The announcement this week that California will receive \$119 million is a good first installment.

TIME IS RUNNING OUT ON TRANSPORTATION

We care passionately about transportation. The last six-year spending bill for transportation expired in September. The House and Senate are dithering with proposals, but nothing will happen until an administration bill is on the table -- and time is running out to deal with it in this budget year. Money must keep flowing to local projects, including bringing BART to San Jose, that are critical to the local economy.

And while you're at it, how about releasing the \$20 billion sitting in the Highway Trust Fund -- money that should be available for transportation projects -- instead of holding it hostage to make the deficit look smaller.

WORDS VS. ACTIONS ON RELIGIOUS TOLERANCE

The mixed messages your administration sends on religious tolerance are painful to many. You can refer to Islam as a religion of peace, but when you nominate Daniel Pipes to the U.S. Institute of Peace and invite

the Rev. Franklin Graham to lead services at the Pentagon, and maintain a cozy relationship with fundamentalist groups that portray Islam as evil -- well, you know that saying about being judged by the company you keep. Condemn religious intolerance in all nations.

Visa hassles, border detentions, arrests and FBI interviews have sent chills through immigrant communities. They have undermined the atmosphere of tolerance that this Valley has strived hard to build. Over time, they could hinder the flow of ideas and freedom of movement that are the essence of the Valley's culture.

After you were elected, you said you would revisit the status of illegal immigrants from Mexico. The effects of Sept. 11 and the reorganization of the Immigration and Naturalization Service buried that conversation. Let's restart it.

WE'RE WORRIED ABOUT LOSING OUR SPECTACULAR ENVIRONMENT

As you travel across this state, you can't help but notice that California has a pretty spectacular natural environment. We'd like to keep it that way. We're leery that you'd like to exploit the forests for more wood and the ocean for more oil.

As California's population grows, the challenge of preserving the environment while providing water to thirsty cities and farms gets only more complicated. Solutions are being developed through CalFed, a working group of federal and state agencies that provide water. CalFed has lacked a Fed commitment to match the Cal commitment.

HEALTH COSTS ARE KILLING US

The Valley's employers are reeling from health-care cost increases. They're passing them on to their employees. Many can't bear the burden; that's one reason why 20 percent of Californians are uninsured. One of your potential opponents in 2004, Mr. Gephardt, has already published a plan to build on the current employer-payer model and to reform it. We think he's on the right track. Perhaps you have a better idea.

EDUCATION IS CRUCIAL; SO IS FUNDING FOR IT

While education is mostly a state responsibility, under your leadership Washington has taken an increasing interest in it.

Who could disagree with the goals of your ``No Child Left Behind'' Act? It would force states to narrow the gap between high- and low-performing schools, to show academic progress and to place qualified teachers in classrooms. The problem is funding: For the most crucial part of the program, you're requesting \$12.3 billion, only two-thirds of what had been envisioned.

This could be a calamitous year for California schools; they're looking at a potential \$5 billion cut in state aid. They'll be fortunate to hold on to their best teachers.

UNDERMINING OUR WELFARE SUCCESS STORY

There's one subject on the minds of Silicon Valley business and community leaders that might surprise you: welfare reform. A number of them have written to Congress opposing your plan because it would make it tougher to get welfare mothers into the workforce here.

Santa Clara County was a welfare success story during the boom. Your proposed changes would require single parents with young children to work 40 hours a week, instead of the current 20, even though many can find only part-time jobs. You're refusing to pay for the additional child care those folks will need to work longer hours.

WHY THE DIVISIVE RHETORIC?

You've ousted Saddam, you're extinguishing residual rebellion, and you're installing a new order in Iraq. But we seem bent on punishing not only France and Turkey, but also neighbors and allies like Mexico who disagreed with our policy.

The ``if you're not with us you're against us'' rhetoric is divisive. We know you trust your defense secretary, but he doesn't play well with others. He creates the impression that America only wants to throw its weight around. He alienates friends and foes.

There's a reason why so many in the Bay Area have been skeptical of your foreign policies. Unilateralism and harassing immigrants go against our grain. This remarkably diverse Valley is populated by immigrants and their sons and daughters. In fact, one in three of us is foreign born. Many of us are in daily contact with relatives and co-workers across the world and are in a position to see America through their eyes, providing insight that some in your administration arrogantly dismiss as irrelevant.

People here, particularly newcomers, have a deep appreciation of America's freedom and opportunities. Every day, they work through barriers of language and culture. They intuitively understand the value of international organizations.

Scorning international treaties and demonizing governments that disagree with us undermine the global marketplace that can provide security and stability in the 21st century.

CAN'T WE ALL JUST GET ALONG?

Last, before you leave, could we talk about our relationship? Is it something we said? Or is it something we didn't do, like vote for you? We have this nagging feeling that your administration doesn't like California. The more cynical among us say that, because we tend to vote Democratic, you're giving us the back of your hand.

But one in eight Americans live here. And now that it looks like you could have a fighting chance here, we hope California's -- and Silicon Valley's -- needs will matter more to you and yours.